

Message Text

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ACTION EB-11

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FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 1518

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BONN 05352

E. O. 11652: GDS

TAGS: ETRN, WG, NL

SUBJECT: LUFTHANSA PURCHASE OF BOEING AIRCRAFT

1. SUMMARY. ACCORDING TO BOEING'S REPS, SALE OF THREE ADDITIONAL BOEING 727'S TO LUFTHANSA CONTINGENT ON THE SALE OF THE LATTER'S USED 737'S TO THE FRG LUFTWAFFE. EMBASSY UNDERSTANDS LUFTHANSA/LUFTWAFFE PART OF THE TRANSACTION CAN BE CREDITED TO OFFSET. IT NOW APPEARS THAT DUTCH GOVERNMENT MAY HAVE INFLUENCED FRG TO PURCHASE F-28'S IN LIEU OF 737'S. EMBASSY WILL, ON AN URGENT BASIS, SEEK TO EXPRESS TO THE FRG OUR SUPPORT FOR BOEING'S EFFORT TO SELL THE 727'S TO LUFTHANSA.

2. ALBERT STOFFEL OF BOEING AIRCRAFT'S WASHINGTON OFFICE VISITED BONN LAST WEEK TO CHECK THE STATUS OF THE PROPOSED SALE OF THREE BOEING 727'S TO LUFTHANSA.

3. IN CONVERSATIONS WITH THE AMBASSADOR, DCM, MAAG AND ECON/COMM SECTIONS, STOFFEL EXPLAINED THAT THE TRANSACTION, WHICH HAS BEEN UNDER CONSIDERATION FOR SOME TIME, WOULD INITIALLY INVOLVE THE SALE BY LUFTHANSA OF THREE USED BOEING 737'S TO THE FRG LUFTWAFFE. LUFTHANSA WOULD THEN APPLY THE PROCEEDS FROM THE SALE TO THE PURCHASE OF THREE NEW 727-200'S. ALTHOUGH REASONABLY
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INTERESTED IN PURCHASING THESE ADDITIONAL AIRCRAFT,

LUFTHANSA WOULD NOT RPT NOT DO SO UNLESS THEY SUCCEEDED
IN SELLING THE USED 737'S.

4. AS AN INDUCEMENT TO THE LUFTWAFFE, BOEING HAS FOR
SOME TIME FAVORED GRANTING THE FRG A \$10 MILLION OFFSET
CREDIT FOR THE PURCHASE OF LUFTHANSA'S 737'S. ACCORDING
TO- STOFFEL, WASHINGTON AGENCIES HAVE DECIDED ON
THIS COURSE OF ACTION. IT NOW APPEARS, HOWEVER, THAT
PRESSURE HAS BEEN BROUGHT BY HIGH-LEVEL GON SOURCES IN
FAVOR OF THE LUFTWAFFE'S PURCHASING THE DUTCH MADE
F-28. WE HAVE HEARD VARYING VERSIONS OF THE PRESENT
SITUATION FROM BOEING LOCAL REP, FROM LUFTHANSA (THROUGH
BOEING) AND FROM WORKING LEVEL MINISTRY OF DEFENSE
(FMOD) INDICATING THAT: (A) A DECISION HAD BEEN MADE
IN FAVOR OF THE 737'S BUT REVERSED BECAUSE OF DUTCH
PRESSURE; (B) A DECISION IS STILL TO BE MADE AT A HIGH
LEVEL IN THE FINANCE MINISTRY; (C) A DECISION FAVORING
THE F-28'S HAS BEEN MADE BUT IS SUBJECT TO REVERSAL IF
LUFTHANSA IS UNABLE TO SELL ITS 737'S ELSEWHERE.

5. OUR MOST RECENT INQUIRY AT THE FMOD SUGGESTS THAT
A DECISION IN FAVOR OF THE F-28'S MAY HAVE BEEN MADE.
HOWEVER, OUR CONTACT WAS NOT CERTAIN AND PROMISED TO
CHECK INTO THE MATTER FURTHER AND GIVE US THE FULL
STORY AS SOON AS POSSIBLE.

6. WE HAVE COVERED THIS GROUND THOROUGHLY WITH
STOFFEL AND THE LOCAL BOEING REP WHO, DESPITE SEVERAL
ATTEMPTS, HAS BEEN UNABLE TO IDENTIFY THE GERMAN
OFFICIAL PRESENTLY CONCERNED WITH THE PROBLEM. BOEING
HAS INFORMED US THAT THE SITUATION MUST BE RESOLVED
WITHIN THE NEXT TWO DAYS, SINCE THEY DOUBT THEY CAN
HOLD THREE 727'S PRESENTLY SLOTTED FOR LUFTHANSA ON
THEIR ASSEMBLY LINE BEYOND APRIL 3. WE WILL, ON AN
URGENT BASIS, SEEK TO EXPRESS TO AN APPROPRIATE FRG
OFFICIAL OUR SUPPORT FOR BOEING'S EFFORT TO SELL THE
727'S TO LUFTHANSA.
HILLENBRAND

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